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FIRST COUNTRY COOPERATION FRAMEWORK FOR THE CAYMAN ISLANDS (1998-2002)

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INTRODUCTION

1. The first country cooperation framework (CCF) for the Cayman Islands seeks to provide direction for cooperation between the Government of the Cayman Islands and UNDP for the period 1998-2002. The CCF was developed based on consultations between the Government of the Cayman Islands and the UNDP on the advisory note. The advisory note was prepared through a collaborative process carried out with government officials, United Nations agencies and lending institutions, an examination of the mid-term review of the third country programme and the utilization of economic analyses and periodic publications of regional institutions. Efforts have also been made to ensure that the strategies and programmes proposed correspond directly to the declarations of a number of recent United Nations-sponsored international conferences, in particular, the Fourth World Conference on Women, held in Beijing, China, in 1995. It had been intended to submit the first CCF for the Cayman Islands to the Executive Board at its first regular session 1998. However, with the recent change in status of the Cayman Islands to a net contributor country, the Government found it necessary to hold further consultations with various local and regional groups, thereby causing a slight delay in the submission of the present document to the Executive Board.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

2. The Cayman Islands is a dependent territory of the United Kingdom comprising three islands located in the western Caribbean. It has established itself as the leading offshore financial, business and tourism destination in the region. With an area of 64 square miles and a population of 33,600 residents in 1995, it shares with other small island developing States the constraints and vulnerabilities of small size, a narrow resource base and an extreme dependence on external trade.

3. The trend of positive growth in the economy of the Cayman Islands has been sustained over the years, with the principal sectors of finance, tourism and real estate showing impressive growth. The overall economic growth rate in 1996 was 5.5 per cent. Current gross national per capita income is $28,230, according to figures released by the World Bank for 1997, which reflects a high level of prosperity. There is adequate access to health services, with 8 health professionals per 1,000 persons and an average life expectancy at birth of 77.1 years. Education is compulsory for students from ages 5 to 16 years and the teacher-pupil ratio is 1:14. To date no comprehensive assessment of poverty in the Cayman Islands has been undertaken. However, based on the records of the Ministry of Community Development, Sports, Women's Affairs, Youth and Culture, monthly financial assistance continues to the elderly, handicapped, disabled persons, ex-servicemen and former seamen locally and overseas.

4. Inflation and unemployment were at historically low levels during 1996. Inflation, which reached as high as 8 per cent five years ago, declined to just 2.1 per cent in 1996, while the 4 per cent unemployment rate recorded in October 1995 was the lowest since the 1989 decennial Census of Population and

Housing. In the financial sector, the mutual funds area achieved remarkable growth. In the tourism sector, visitor arrivals reached 1.1 million in 1996, with cruise ship passengers numbering 682,800, and a total of 373,200 stop-over visitors. Visitors spent some $375 million in the Cayman Islands in 1996.

5. While very impressive economic growth indicators exist, there are also a number of structural imbalances, which are characteristic of small island economies with limited natural resources and a heavy dependence on international trade with a specialization in financial services and tourism. Among the main constraints in the Cayman Islands is the lack of a pool of skilled local labour to meet the demands of the labour market. The economy relies on expatriate labour and also imports semi-skilled and unskilled labour to provide needed ancillary support (current demographic projections are that by the year 2000 only 39 per cent of the population will be Caymanian). This has resulted in the transformation of Grand Cayman into a small pluralistic society faced with the problems of acculturation and fears of an even greater loss of a distinctive Caymanian cultural identity.

6. The Government recognizes the need to ensure that infrastructure development takes place with an equal focus on economic development, preservation of the environment and fiscal discipline. The mid-term review of the third country programme recognized that these development constraints and challenges needed to be addressed, and that the Government needed to play a more active role in development planning in order to promote the rational development of social and economic infrastructure and diversification of the economic base.

II. RESULTS AND LESSONS OF PAST COOPERATION

7. The Economic Development Unit in the Department of Finance and Development serves as the UNDP counterpart for technical cooperation and for external capital flows.

8. Generally donor assistance to the Caribbean declined from $1.5 billion in 1982 to $200 million in 1992, with the withdrawal and downsizing of programmes by traditional donors to the subregion. UNDP is the most active multilateral agency in the region, and the Cayman Islands has made use of the organization's comparative advantage in the areas of economic planning and human resource development. Lending institutions such as the Common Fund for Technical Cooperation (CFTC) have provided assistance in debt-recording and management, while the Caribbean Development Bank (CDB) has provided training in project analysis and budgeting. Civil service training is also supported separately by the Pan-American Health Organization, CFTC, the United States Civil Aviation Authority, the Caribbean Meteorological Institute and CDB.

9. The main conclusion of the mid-term review was that the Government of the Cayman Islands had successfully adopted the national execution modality. However, this has placed increased pressure on limited government capacities, particularly for execution functions such as financial and progress monitoring. The need for technical support from United Nations agencies for complex projects such as the education planning and management project is necessary in order to ensure the level of technical and administrative support required. The review

also concluded that the use of the technical cooperation among developing countries modality should be encouraged in future programming, particularly in areas that complement the country's development objectives.

10. As a net contributor country, the Cayman Islands has received a very small amount of reimbursable target for resource assignment from the core (TRAC) funds. Thus it is critical for UNDP to maintain constant dialogue with all stakeholders in order to ensure that the financial and human resources needed for proper implementation of the country's development programmes are in place.

11. The Government has thus far committed a total of $322,000 for programme cost-sharing expenditure in 1997 and 1998. This provision is indicative of the continued interest and confidence of the Government in UNDP.

III. PROPOSED STRATEGY AND THEMATIC AREAS

12. During the period covered by the first CCF, the overall emphasis will be on governance and capacity-building. UNDP will promote policy dialogue and provide substantive support in the design and management of the Government's programmes in these areas, which reflect major areas of emphasis of the regional cooperation framework for Latin America and the Caribbean. Accordingly, linkages between national and regional programmes will be established to maximize programme impact at both levels.

13. Support for the Economics and Statistics Office, public sector training and education planning and management, which began in the fifth cycle, will enhance efforts aimed at reducing the proportion of unskilled personnel in the Caymanian labour force. The focus will be on education planning from the primary level and establishing and maintaining proper databases so that appropriate policy analyses can be achieved. With UNDP support, the Government will explore ways to incorporate the participation of more community-based and non-governmental organizations (NGOs) in programme activities.

A. Support for the Economics and Statistics Office

14. The economics planning and management project implemented during the third country programme sought to promote effective management of public expenditure through improved fiscal management and the rationalization and integration of existing and proposed planning mechanisms. During the period covered by the first CCF, emphasis will be placed on the design of the fiscal planning and management component. Further training, including job attachment for staff of the Economics and Statistics Office is proposed. Population census planning in preparation for the 1999 census will also be undertaken.

Impact

15. UNDP support will result in increasing the number of Caymanians within the public sector and their capacity to assume greater responsibility in economic planning and management. In addition, as a result of the census planned to be undertaken in 1999, disaggregated data, particularly in relation to the

incidence of poverty in the Cayman Islands, will become available and facilitate future programming.

B. Public sector training

16. This ongoing programme will be further consolidated and strengthened through continued emphasis on multidisciplinary training, which will focus specifically on programme planning and management within the public sector. The programme has linkages with the Economics and Statistics Office project as well as the education planning and management project.

Impact

17. Successful programme implementation will result in a decrease, over time, in dependence on expatriate labour in this key area.

C. Education planning and management

18. Reorganization of the education system in order to develop the skills of the local population, thereby sustaining economic development, is a priority of the Government. The education planning and management project was initiated in the fifth cycle and aims to prepare a long-term strategic plan for education that includes provisions for the training of teachers in curriculum and test development; the revision of school curricula for grades 1 through 11; the establishment of a school inspectorate; and the development of a records management system. The project will be linked to the project for support for the Economics and Statistics Office through, among other things, the sharing of statistical data and training.

Impact

19. Successful implementation of the project will lead to the development of curricula that complement and support the identified human resource needs of the islands, as well as a trained cadre of local educators to develop and implement management processes.

20. Secondary programmes include the provision of support for the preparation of a national human development report, as well as the development of initiatives aimed at establishing a Bureau of Women's Affairs as follow-up to the Fourth World Conference on Women. To address the issue of building local skilled labour capacity it is envisaged that United Nations Volunteer specialists will temporarily assist the Government of the Cayman Islands in specific sectors to fill critical capacity needs, which, in the longer term, will help to secure local knowledge and experience.

IV. MANAGEMENT ARRANGEMENTS

21. All four projects approved in the fifth cycle were executed nationally. However, United Nations agency execution will be utilized where necessary during

the period covered by the first CCF, and greater efforts will be made to collaborate with regional institutions and NGOs in the execution and implementation of the programme as a whole.

22. The UNDP country office in Jamaica, which manages UNDP cooperation with the Government of the Cayman Islands, will collaborate with the Government of the Cayman Islands to improve communication links between the United Nations focal point within the Government, similar focal points of other Caribbean islands, and the UNDP office in Jamaica. Efforts will also be made to establish e-mail links, as well as to build the capacity of national staff in UNDP-supported projects through the provision of training in the financial management of UNDP projects and the use of computer information systems.

23. The UNDP country office in Jamaica also plans to develop a home page on the Internet to provide information on past and ongoing UNDP activities, as well as on other United Nations system agencies operating in the Cayman Islands.

24. Activities under the first CCF will be subject to a mid-term and triennial review, which will include a review of the country office's operations and will be conducted with the participation of UNDP and the Government. Special emphasis will be placed on setting benchmarks for achieving expected outputs at the start of the programme, in order to facilitate systematic monitoring of programme activities and the conduct of impact assessments and collation of best practices in the thematic area.

25. The annex to the present document shows the resource mobilization targets for the period covered by the first CCF for the Cayman Islands, 1998-2002.

RESOURCE MOBILIZATION TARGET TABLE FOR THE CAYMAN ISLANDS (1998-2002)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated carry-over	-	
TRAC 1.1.1	66	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
Other resources	42	Add-on funds.
SPPD/STS	5	
Subtotal	113 a/	
NON-CORE FUNDS		
Estimated carry-over	(138)	Full payment has been received and will be utilized to offset this negative balance in the 1997 cost-sharing apportionment exercise.
Government cost-sharing	1 159	
Sustainable development funds	-	
Third-party cost-sharing	-	
Funds, trust funds and other	-	
Subtotal	1 021	
GRAND TOTAL	1 134 a/	

a/ Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: SPPD = Support for policy and programme development; STS = support for technical services; and TRAC = target for resource assignment from core.